Distr.
GENERAL

IDB.11/13
2 June 1993

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Eleventh session
Vienna, 28 June - 2 July 1993
Item 14 of the provisional agenda

NEW CONCEPTS AND APPROACHES FOR COOPERATION IN INDUSTRIAL DEVELOPMENT IN CONFORMITY WITH ARTICLE 2 (C) OF THE CONSTITUTION

Report by the Director-General

Summary

In compliance with resolution GC.4/Res.19, provides a description of the application of the approved new concepts and approaches for the review of the Industrial Development Board, and places a consideration of any further new concepts and approaches within the context of the current debate on the objectives and functions of UNIDO, changes in many Member States, and reform of the United Nations system. A number of further new concepts and approaches are presented in outline for the consideration of the Board.

CONTENTS

		Paragraphs	Page
Introduction		1 - 2	1
Chapter			
I.	APPLICATION OF THE APPROVED NEW CONCEPTS AND APPROACHES	3 - 12	1
II.	THE ECONOMIC BACKGROUND TO NEW CONCEPTS AND APPROACHES	13 - 16	3
III.	FURTHER NEW CONCEPTS AND APPROACHES FOR COOPERATION	17 - 35	4
IV.	CONCLUSION	36	6
V.	ACTION REQUIRED OF THE BOARD	37	7

Introduction

1. In resolution GC.4/Res.19, the General Conference directed the Industrial Development Board to review the application of the approved new concepts and approaches, through a report of the Director-General and, in the light of its assessments, to consider any further new ones which may be necessary for submission to the General Conference at its fifth session. In order to facilitate the deliberations of the Board in that respect, the present report in chapter I describes in summary form the application of the approved new concepts and approaches and provides cross-references to further information contained in the Annual Report, 1992 (IDB.11/10) and in the draft medium-term plan, 1994-1999 (IDB.10/5) on the new concepts and approaches, as well as to the activities identified in paragraph 2 of resolution GC.4/Res.19.

2. Chapter II places a consideration of any new concepts and approaches for UNIDO activities within the context of the current debate on the objectives and functions of UNIDO, changes of a political-social-economic nature in many Member States, and on reform of the United Nations system as a whole.

I. APPLICATION OF THE APPROVED NEW CONCEPTS AND APPROACHES

3. The new concepts and approaches identified in resolution GC.4/Res.19, paragraph 1, comprise the following:

(a) Application of new materials;

(b) Strategic management of industrial policies;

(c) Elaboration of technological and institutional policies at the micro-economic level;

(d) New types of industrial cooperation for the mobilization of financial resources for developing countries.

4. In the following paragraphs, highlights are presented of the application of those new concepts and approaches by the Secretariat.

V.93 85248 5441E

Distr.: 8 June 1993

Application of new materials

5. Detailed information on activities in the new materials area can be found in the annual reports of UNIDO for 1991 and 1992 (IDB.9/10, chap. III, para. 20; IDB.11/10, chap. IV, para. 88). The proposed programme and budgets, 1994-1995 (IDB.11/2), emphasizes that the awareness of new materials, and particularly the concept of engineering materials to suit specific purposes in developing countries, is still lacking; efforts to apply materials engineering concepts to local and raw materials have to be promoted. UNIDO activities are geared, inter alia, to provide a total perspective of the role of new materials in manufacturing, product design and exports and to provide information on their implications for energy and the environment. (See document IDB.11/2, paras. 4.213, 4.218 and 4.226, for further information.)

6. More generally with respect to advanced technologies, including new materials, the UNIDO draft medium-term plan, 1994-1999 (IDB.10/5) emphasizes the importance of policy formulation, the building up of research and development capabilities and linking research to industrial applications as well as promoting closer linkages between manufacturers and users (IDB.10/5, para. 229). The primary focus will be on transectoral technology advances, including such advances in new materials. Promotion of national and regional efforts will focus on research cooperation, particularly on the industrial application of research results and the adaptation of advanced manufacturing systems to render them suitable for developing countries.

Strategic management of industrial policies

7. Technical cooperation activities related to strategies and policies concentrated on the industrial restructuring process, with an emphasis on the strategic management approach. Examples of those activities are described in the annual reports of UNIDO for 1991 and 1992 (IDB.9/10, chap. II, paras. 108-112; IDB.11/10, chap. V, paras. 74-79). The change in the title of the unit responsible for the strategic management approach - from Industrial Planning Branch to Industrial Strategies and Policies Branch - underlines the importance in the Secretariat of this refocusing of activities.

8. The programme and budget proposals for 1994-1995 (IDB.11/2, paras. 5.124-5.126) emphasize that this approach encompasses indicative strategic planning and management with the aim of creating the policy and institutional environment essential to the private sector assuming its proper role in the process. Developing countries and countries in transition to a market economy often lack the basis or capacity for sophisticated multicriteria decision-making that is essential to strategic management, enhanced productive performance and environmentally sustainable industrial development. Developing country Governments and industries need to arrive at a commonly shared overview of the industry sector as a whole or of specific subsectors. Furthermore, the approach, within the framework of the environment programme of UNIDO, addresses environment-specific issues through the provision of technical cooperation and the development of methods and methodologies related to the elaboration of strategies and policies designed to enhance the sustainability of industry.

9. UNIDO has emphasized in its draft medium-term plan, 1994-1999, that the strategies and plans of action formulated and implemented should be the outcome of a consultative process with industrial entrepreneurs and associations in which attention is focused on the organizational constraints and shortcomings that handicap different industrial activities. UNIDO seeks to promote, organize and support the development of an effective and competitive policy and institutional framework for accelerated private-sector development. This would include the formulation of coordinated and consistent supporting policies governing such issues as trade policies, training, financing, promotion and infrastructure (IDB.10/5, para. 169). As outlined in the programme and budget proposals (IDB.11/2, para. 5.129), the primary results of the strategic management approach will be enhanced capabilities of institutions, such as ministries of industry and other government entities as well as industrial federations and chambers of commerce, dealing with the formulation and management of consistent strategies, policies and programmes, together with the formulation of industrial development and restructuring programmes at both the sectoral and subsectoral levels and, upon request, the subsequent implementation of parts thereof.

Elaboration of technological and institutional policies at the micro-economic level

10. Within the framework provided by the programme and the strategic management approaches, UNIDO aims at ensuring that entrepreneurial initiative is stimulated through appropriate technological and institutional policies and applications down to the micro-economic level. Policy elaboration at the micro-economic level takes place in a number of Secretariat activities, including programmes for industrial investment, feasibility studies, technology promotion, and industrial institutions and services. Information on policy elaboration through those activities is provided in the annual reports of UNIDO for 1991 and 1992 and in the draft medium-term plan, 1994-1999, as follows:

Industrial investment	IDB.11/10, chap. IV, paras. 8-24
Feasibility studies and related pre-investment activities	IDB.11/10, chap. IV, paras. 29-33, IDB.9/10, chap. II, paras. 134-140, IDB.10/5, para. 216
Technological and institutional policies at the micro-economic level	IDB.11/10, chap. IV, paras. 14-33, IDB.10/5, para. 226
Industrial institutions and services	IDB.11/10, chap. V, paras. 86-97, IDB.9/10, chap. II, paras. 116-125, IDB.10/5, para. 244

New types of industrial cooperation for the mobilization of financial resources for developing countries

11. In resolution 45/196, paragraph 6, the United Nations General Assembly recognized the contribution of the special trust fund schemes launched by UNIDO in developing alternatives to traditional assistance programmes. UNIDO will continue, as stressed in the draft medium-term

plan (IDB.10/5, para. 110), to develop and promote industrial investment projects, technical cooperation projects that link technical cooperation to investment, and broader industrial cooperation schemes involving special trust fund mechanisms, in particular for the modernization and diversification of industries. As described in paragraphs 112 to 116 of the same document, activities financed from the Industrial Development Fund and special trust funds will be geared towards: (a) identifying investment potential in technical cooperation projects and developing integrated investment programmes; (b) mobilizing resources of a programmable nature to meet promptly and flexibly the technical assistance needs of the developing countries; (c) achieving maximum impact of resources through their utilization as "seed money" so as to increase the flow of financial and other resources to productive investments; (d) coordinating donors and pooling resources in order to secure financing of large-scale projects and programmes; (e) ensuring project/programme quality in terms of their relevance to the industrial development objectives of recipient countries; (f) promoting the application of the integrated programme approach to the implementation of projects; (g) providing supplementary, flexible and rapid mechanisms for direct services to industrialists and entrepreneurs in developing countries in both public and private sectors.

12. UNIDO services and activities, which link traditional technical cooperation to industrial investment and which were financed through trust funds and self-financing arrangements, expanded into new industrial sectors and a larger number of developing countries. Detailed information on those activities is provided in the annual reports of UNIDO for 1991 and 1992 (IDB.9/10, chap. VIII, paras. 21-29; IDB.11/10, chap. III, paras. 138-146).

II. THE ECONOMIC BACKGROUND TO NEW CONCEPTS AND APPROACHES

13. In resolution GC.4/Res.19 the General Conference directed the Board to consider any further new concepts and approaches for cooperation in industrial development which may be necessary for submission to the General Conference at its fifth session. That request has to be seen within the context of the functions of UNIDO as stated in its Constitution, in particular Article 2 (c), where new concepts and approaches have to be created with due consideration for the methods employed by countries with different socio-economic systems for solving industrialization problems. It also appears relevant that an examination of new concepts and approaches, as part of the functions of UNIDO, should take into account the views of Member States in their evaluation of the objectives and functions of UNIDO in view of recent changes and developments in the world. In that connection, the Industrial Development Board at its tenth session considered a report by the Director-General (IDB.10/21) containing information on the evaluation of the objectives and functions of UNIDO in view of recent changes and developments in the world. The views of Member States in that regard are reflected in the summary records for that session (IDB.10/SR.6, paras. 49-119). Those views indicate that many countries, both developing and developed, had embarked on a fundamental reconsideration of various approaches to economic and industrial development. Many countries have moved their economies towards privatization and liberalization and towards a reliance on competition and market mechanisms.

14. In any consideration of new concepts and approaches it is essential that the changes noted above be fully reflected, both in the nature of the services provided to Member States by UNIDO as well as in the mechanisms used in the financing of those services. The Secretariat has embarked on a wide-ranging reappraisal and rethinking of its approach to technical cooperation and of the services provided by the Organization. In this connection, UNIDO technical cooperation activities have to be put in perspective. Technical cooperation delivery by UNIDO in 1991 amounted to $147.5 million, a sum of the order of 0.75 per cent of world-wide technical cooperation from bilateral and multilateral sources in that year. If account is taken of the very considerable volume of various forms of industrial and industrial support services purchased by developing countries on a commercial basis, such as consulting, expert and management services, arising from joint ventures and direct foreign investment or as a result of direct procurement, that small percentage declines very much further.

15. It also needs to be emphasized that consideration of new concepts and approaches in respect of industrial development cooperation has to be carried out not only within the context of the objectives and functions of UNIDO and its existing operational activities, but also within the context of the wide-ranging international debate on what can be called a new agenda for the United Nations. In this connection, it will be necessary to analyse closely the results of the substantive session of the Economic and Social Council of 1992 and of the forty-seventh session of the General Assembly, where a number of innovative ideas and proposals were put forward on the revitalization of the economic and social role and activities of the United Nations system as a whole. Also relevant in this regard are certain reports and studies of the United Nations Development Programme, the World Bank and its Development Committee,* of a number of influential intergovernmental groups, such as the Development Assistance Committee of the Organisation for Economic Cooperation and Development, the South Commission, and the Nordic Group, as well as contributions to the international debate on the future of the United Nations system by national authorities, such as A world of difference: a new framework for development cooperation in the 1990s, by the Government of the Netherlands.

16. The new concepts and approaches for industrial cooperation, of which the General Conference took note in resolution GC.4/Res.19, were arrived at only after considerable discussion among Member States dating back to the second session of the Industrial Development Board in 1986 and the second session of the General Conference in 1987. Further new concepts and approaches will need to take into account the socio-economic-political changes in many countries

---

* Development Committee: Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries.

and the ongoing international debate on the United Nations system as a whole, as well as current discussions on the restructuring of the UNIDO Secretariat and the resolution of the Organization's financial crisis. Furthermore the development of new concepts and approaches should proceed through formal and informal consultations with representatives of Member States. In order to initiate this process of consultation, a number of ideas are presented below.

III. FURTHER NEW CONCEPTS AND APPROACHES FOR COOPERATION

17. It is difficult to be precise in defining what is "new" in the concepts and approaches outlined below, or for that matter in various concepts and approaches implemented by UNIDO in past years. In fact, it is more often a matter of nuance, priority and styles of implementation. New concepts have to take into account significant global changes, of which the most important has been the shift in perception towards a very considerable though not exclusive reliance on market forces as the propellent of economic industrial and technological growth.

18. Very many developing countries have adopted macroeconomic policy measures to deepen and consolidate the adjustment process with the aim of strengthening the business climate and providing more stable planning horizons for private sector industrial firms. These domestic policy changes to deregulate, liberalize trade and privatize have been mirrored by actions taken relatively recently, for example by the African Development Bank, the Inter-American Development Bank and the Asian Development Bank in promoting and setting up respectively the Private Sector Development Unit, the Inter-American Investment Corporation and the Asian Finance and Investment Corporation. These development finance units or institutions have as their main objective the strengthening of the private sector in their respective regions, and give special emphasis to the development of the small- and medium-sized firms. It is important that UNIDO should closely cooperate with these new institutions in the achievement of common aims.

19. Market-based solutions cannot be assumed to overcome all barriers to industrial development in all developing countries. Such assumptions would not only dismiss the validity of the theory of economic development but also would undermine the role of UNIDO funded as it is by Governments to promote industrial development. Policy prescriptions must distinguish between industrialized economies with highly developed goods and capital markets and developing economies with poorly developed or - especially at the present time - collapsed markets. Collective social decisions as manifested in government actions can play an essential role in providing stability in markets as well as protecting those subsectors or enterprises which as yet do not have the strength to benefit from the market. Governments have fundamental tasks to perform both in facilitating the establishment of a base for industrial development in some countries and in progressing to higher levels through the mastery of more complex technological processes in others, and a major objective of UNIDO is to assist Governments in that endeavour.

Strengthening private sector industry

20. UNIDO will aim to reorient and strengthen its programmes aimed at harnessing the capacities of the private sector in the developing countries. Those programmes for the promotion of new investment and especially for the rehabilitation of existing firms will seek to tap more effectively private sector capacities of management know-how, production expertise, and marketing arrangements through joint ventures and other forms of corporate partnership of existing and innovative types. Those arrangements will encompass cooperation between firms from developed and developing countries, and given the recent acceleration of intraregional activity in parts of Africa, Asia and Latin America, among firms from developing countries. A particular focus of this concept will be to establish strong linkages, including where feasible secondment and the temporary exchange of staff, with the private sector arms of the regional financial institutions, i.e. the Inter American Investment Corporation, the Private Sector Development Unit (of the ADB) and the Asian Finance and Investment Corporation Ltd., as well as with similar units of subregional institutions such as the Andean Development Corporation, the West African Development Bank and the Caribbean Development Bank.

21. The particular focus of this reoriented approach will be the development of appropriate policies and institutional structure to meet changing needs of Governments and industry and assistance at institutional, subsectoral and enterprise levels to ensure enhanced competitiveness of developing country enterprises, especially for identification and application of new technologies and management techniques, improved access to financial and other resources, and restructuring of operations for export markets. Furthermore, UNIDO will assist countries in developing capability for increased mobilization of internal investment resources, and undertake a more intensive programme for investment promotion to attract foreign partners and various forms of foreign participation. These activities will be particularly necessary in order to ensure that the drive towards divestiture and privatization which has accelerated in several developing countries is successful and is effectively combined with an adequate environment enabling private sector development in these countries.

Application of new technological and management techniques

22. The major reorientation in UNIDO activities with respect to the enhancement of competitive capability of developing countries will be undertaken both at institutional and enterprise levels. Institution-building is a crucial variable determining long-run industrial performance because the arrangement of institutional components define the structure of incentives and information flows simultaneously. These incentives and information flows motivate risk-taking and the learning and application of new technologies and management techniques. Developing countries need to rethink and rebuild their own structure of institutional components which comprise the market. Every institutional component of the market, be it a production system, banking system, accounting, sales or contract system has to be

formulated carefully so as to fit together in an efficient whole. The market so organized will determine how effectively information and incentives are transmitted to motivate economic actors to innovate, improve and produce at high quality and low price, industrial goods for which there is a high demand.

23. Comparative cross-border analyses of industrial organization and intra-firm behaviour in major industrial economies have made a substantial impact on policy formulation relating to technology and corporate strategy and to the notion of industrial competitiveness in those countries. Some of the giant corporations in major economies are learning new lessons as they restructure and attempt to remain competitive. The notable results of those analyses include a recognition of the kanban (just-in-time) system of inventory and production control coupled with the multifunctionality of production workers; the multidisciplinary team approach in industrial development projects, particularly in high technology industry where various disciplines, such as engineering, marketing, finance, supply and procurement interact in an integrated manner; the keiretsu system functioning as a long-term relationship between partners rather than contract specification and legal enforcement; and a horizontal information flow system (Japan) versus a vertical system (United States).

24. A further component of this issue involves the application of new engineering technologies, such as the use of the microchip and computer in the manufacturing process, the automation of parts of that process, as well as changes brought to management systems by the information and telecommunications revolution. A requirement for lifetime employment may be the integration of education and training with self-employment, part-time work and full-time work, as well as a blurring of the boundaries between work, study and leisure. In particular, there will be the necessity to strike an effective balance between increased automation and employment needs within a competitive framework.

25. The new management concept focuses on the institutions and market systems, and on how these interact; and on industrial organization. It is not, as yet, an "operational" concept in terms of UNIDO programmes, but all Member States, including the most industrialized and the least developed, have placed the highest priority on human resource development, the development of human capabilities, effective industrial training and industrial competitiveness. The focus of that concept lies at the heart of the industrial development process of the developing countries, and for that reason should be considered.

Reorientation of small and medium industry development

26. UNIDO has a considerable amount of specialized knowledge and capability in a number of key priority areas of particular importance for small and medium industry programmes in countries at various levels of industrial development. The principal priority areas include: (a) critical issues relating to promotional policies, institutions, mechanisms and incentives including financial incentives for small and medium industries; (b) human resource development, particularly entrepreneurial skills and capabilities; (c) the development of institutional support mechanisms in close cooperation with non-governmental entities and private sector groups; (d) marketing capabilities and linkages with internal and external markets; and (e) technology support services to industrial sub-sectors of special relevance to developing countries, including the agri-business area; engineering and metal-working industries; chemicals; woodworking; leather; and informatics, including electronics and telecommunications products and systems.

27. UNIDO activities in those priority areas should be undertaken at three levels: promotional policies; institutional development; and direct assistance to enterprises, including trouble-shooting, rehabilitation and industrial extension programmes. While government requests will continue to trigger the UNIDO response, activities in the priority areas will provide the focus for programmes and plans of action designed to provide UNIDO services at the three levels.

Industrial upgrading

28. Programmes of industrial upgrading through new investment and technology improvement can lead to dynamic efficiencies and create new comparative advantage within individual industrial branches and across the industrial sector as a whole. Static comparative advantage is important in the short term, but the phased addition of new products with newly created competitive advantage is necessary so as to diversify and reinforce the industrial fabric and enlarge the basket of domestic and export products. More efficient technology must be imported or invented, and since that technology is a key element in industrial upgrading, it must be mastered. It should be emphasized that success in mastering technology is determined operationally by product competitiveness in open markets, but in the short term the infant industry argument may be persuasive. Programmes of industrial upgrading should involve mutually reinforcing elements which also provide product selection criteria, with the most important criteria being: (a) ascending the "technology ladder"; (b) increasing inter-industry linkages; (c) augmenting domestic value added of export products; and (d) creating new opportunities for investment and enterprise. Support for industrial upgrading programmes usually requires the effective coordination of technology policy with investment policy both at national and enterprise levels. Technology policy is subject to important economic characteristics, including external costs and benefits, cumulativeness, irreversibility, historical and cultural dependence, dynamic increasing returns (i.e. effects of learning-by-doing), the uniqueness of the technology transaction, the lack of market-determined prices and the non-transparency of prices, and asymmetrical bargaining. Upgrading the industrial structure requires decisions on "import or invent" technology. Temporary protection for domestic technology development may be necessary, but ultimately it must compete with imported technology. In the long run, the "import or invent" choice is not mutually exclusive, since the greater the capability of domestic invention, the greater the capability of absorbing and mastering imported, up-to-date technology. In a long-term dynamic sense both approaches are mutually reinforcing. Furthermore, it is critically important to effectively integrate industrial and technological policies for programmes of industrial upgrading.

29. It should also be emphasized that at any given level of technology, it is always possible to make additional improvements and to stretch the potential of the technology in place, so as to achieve cost reductions. This is often possible without investment in new technology but through improved management and manufacturing practices, in the implementation of technologies such as efficient inventory control, better cost measurements and more effective payments systems. Such improvements can have positive impacts on the bottom line, without new investment in technology and equipment.

30. UNIDO will strengthen its ability to deliver more effective services with respect to technological applications and management technologies through various modalities at the project level including institutional infrastructure in developing countries, as well as through providing advice on the design and implementation of programmes of industrial upgrading.

Sustainable development

31. Viewed until now almost entirely through an ecological prism, sustainable development, including industrial development, is increasingly recognized as something more. Development has to be sustainable in all senses, including the socio-economic. New concepts in this area will be developed in a donor-funded programme designed to change the technological trajectories in the long-term in favour of sustainable development in this sense. Focused on technologies in relation to fulfilment of basic needs, a project concept is being formulated that will lead to a long-term UNIDO programme to sensitize policy makers, R and D institutes and industry to the need for trajectory changes, to identify the technological challenges and to develop illustrative processes that will demonstrate that such a change is possible. A key component of such an approach will be in its acceptance by developing countries and participation of their think-tanks and R and D institutions.

32. At the same time, new concepts of appropriate technology for sustainable development will be evolved. Its like features are public participation, use of market mechanisms and private enterprise and emphasis on specific local technologies that have reached commercial production in at least one developing country. The project will also create an opportunity for UNIDO to establish a network of designated centres for sustainable technological development as a means for prereview of the programme and to provide a critical mass of people who can plan technological development in terms of long-term future requirements.

Innovating investment financing mechanisms for industry

33. Closely associated with those developing countries which have achieved rapid rates of growth over the past 10 to 20 years, or those which have shown rapid recovery from the debt-induced stagnation of the 1980s, particularly in Latin America, has been their adoption of innovative investment financing mechanisms of particular relevance in providing finance for industry. Those mechanisms have included venture capital companies and funds; debt-equity swaps; developing country funds sold on major international stock markets; industrial leasing; and build-operate-transfer (BOT) arrangements. More than one half of the financial resources mobilized through those mechanisms have been allocated to the industrial sector or to investment in industry-related infrastructure in the various countries. Indeed, in the case of the debt-equity swap mechanism, the resources mobilized for industry played a major role in the turnaround and recovery in the five most indebted countries of Latin America. It is possible to say that without the adoption of some of those mechanisms, together with policies to deregulate, liberalize, and privatize, the industrial and economic recovery of several countries in Latin America and the Caribbean would not have taken place.

34. The quality of resources mobilized by those mechanisms has been significantly different from traditional arrangements. Industrial leasing provides an effective, rapid and non-bureaucratic means of financing small and medium-scale industries, a sector of major importance in providing much-needed employment and in deepening the industrial fabric. Venture capital has been important in financing small and medium industries, especially where non-traditional goods are produced. BOT arrangements involve the private sector in the provision of infrastructure services, with the objective that the quantity, quality and price of such services provide better value than government-supplied services - although Government is the vitally important partner, with the domestic and foreign private sector, in these BOT arrangements. In 1993, possibly the largest and most significant infrastructure project world-wide - the Channel Tunnel - uses the BOT mechanism, in a project involving close cooperation between two important Governments and their private sectors.

35. UNIDO activities aiming at the mobilization of resources for industry in developing countries have involved primarily assistance in setting up joint ventures - an area in which our Organization enjoys recognized comparative advantage - and assistance in tapping official finance from multilateral and bilateral sources. Fierce competition in attracting finance from those traditional sources - this competition coming from the countries of Eastern Europe in transition, fast growing countries such as China, as well as from developed countries themselves - underlines the necessity of creating within the Secretariat the capacities and competences necessary in developing a new source of comparative advantage within our Organization.

IV. CONCLUSION

36. Less widely noticed than the world-wide movement towards deregulation, liberalization and privatization has been the perception that it is possible for sufficiently determined developing countries, as demonstrated in East and South-East Asia, including China, to achieve high and sustained growth rates of historically impressive dimensions. This historical achievement, coupled with the equally significant success of many Latin American countries in rapidly turning around and recovering from a decade of debt and industrial stagnation, can stand as a beacon of hope and emulation for the many other developing countries, including the least developed, in confronting and overcoming their industrial development problems. The new concepts and approaches presented here can

allow UNIDO to assist in this endeavour. The point has to be made, however, that today UNIDO stands at a crossroads, its financial crisis is acute, and its future uncertain. It must be emphasized that UNIDO produces mainly "public goods". Public goods differ from private goods because of their externalities. Externalities are difficult to measure and to place in a balance sheet or profit and loss account, but externalities such as peace, good government and development are valuable to mankind, and the services provided by UNIDO are part and parcel of these externalities.

V. ACTION REQUIRED OF THE BOARD

37. The Board may wish to take note of the present report and provide guidance on further action.